

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Riverview, Michigan</u>	County Wayne
Audit Date June 30, 2005	Opinion Date November 4, 2005	Date Accountant Report Submitted To State: December 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

City of Riverview, Michigan

**Financial Report
with Supplemental Information
June 30, 2005**

City of Riverview, Michigan

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City of Riverview, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Riverview, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverview, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Riverview, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverview, Michigan as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Honorable Mayor and
Members of the City Council
City of Riverview, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Riverview, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 4, 2005

City of Riverview, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

The City of Riverview, Michigan's (the "City") 2005 annual financial report is presented in conformity with the requirements of GASB Statement No. 34, as it was in 2004. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- **Governmental Activities** - Most of the City's basic services are included here, such as the police, fire, public works, recreation departments, and general administration. Property taxes, state-shared revenue, charges for services, grants, and transfers provide much of the funding.
- **Business-type Activities** - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, golf course, golf practice facility, and land preserve are all included here.
- **Component Units** - The City includes the Economic Development Corporation in its report.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- **Proprietary Funds** - Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Highlights

- The financial report for the year ended June 30, 2005 reflects complete implementation of Governmental Accounting Standards Board Statement No. 34, which significantly changed the content and format of municipal financial reporting. Accordingly, these statements present both entity-wide financial reporting for all governmental and business activities in addition to reporting financial information at the fund level. A reconciliation of the net change in fund balance to the change in net assets is provided on page 17.
- Assets of the City exceeded its liabilities at the end of the fiscal year by \$90,958,194 (net assets), an increase of \$2,697,125 from the previous year. Of the \$90.9 million reported in net assets, approximately \$7.5 million may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of the City's governmental activities increased \$498,455, or 1.5 percent, while net assets of our business-type activities increased \$2,198,670, or 4.0 percent.
- Unrestricted net assets for governmental activities are 21.6 percent of expenses. Unrestricted net assets for business-type activities are 42.3 percent of expenses.
- The General Fund reported revenues in excess of expenditures of \$4,491, resulting in an increase in the General Fund fund balance to \$422,256. Of this amount, \$338,699 is unreserved and undesignated, or 3.6 percent, of General Fund expenditures.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

- In February 2004, the City issued \$7.6 million of General Obligation Limited Tax bonds, with the proceeds designated for reconstruction and repair of various streets located throughout the City. The bonds are scheduled for repayment over the next 10 years, with funding being derived from the State of Michigan (Act 51 Road Funds), operating transfers from the land preserve, and tax levies. The project is expected to be completed by the end of 2006.

The City as a Whole

The City's combined net assets are \$91.0 million at June 30, 2005. Business-type activities make up \$57.5 million and governmental activities make up \$33.5 million of the total. The following table shows, in a condensed format, the net assets as of June 30, 2005 and compared to the prior year:

Summary Condensed Statement of Net Assets (normally presented in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$ 10.3	\$ 14.1	\$ 34.4	\$ 32.8	\$ 44.7	\$ 46.9
Noncurrent assets	34.3	31.2	59.2	59.4	93.5	90.6
Total assets	44.6	45.3	93.6	92.2	138.2	137.5
Liabilities						
Current liabilities	3.2	2.7	3.1	1.7	6.3	4.4
Long-term liabilities	7.9	9.6	33.0	35.2	40.9	44.8
Total liabilities	11.1	12.3	36.1	36.9	47.2	49.2
Net Assets						
Invested in capital assets -						
Net of related debt	29.8	29.5	39.3	38.1	69.1	67.6
Restricted	1.3	1.0	13.0	12.0	14.3	13.0
Unrestricted	2.4	2.5	5.2	5.2	7.6	7.7
Total net assets	<u>\$ 33.5</u>	<u>\$ 33.0</u>	<u>\$ 57.5</u>	<u>\$ 55.3</u>	<u>\$ 91.0</u>	<u>\$ 88.3</u>

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

City of Riverview - Net Assets

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$91.0 million (net assets). However, a significant portion (76 percent) of the City's net assets represents its investment in capital assets (e.g., land, roads, infrastructure, buildings, and equipment), less any related debt used to acquire or construct these assets. The City uses these assets in providing services to its citizens; thus, these assets are not available for future spending.

Current and other assets have decreased by \$2.2 million from the prior year, current liabilities have increased by \$1.9 million, and long-term liabilities have decreased by \$3.9 million. The decrease in long-term liabilities is primarily due to payments on the \$7.6 million of bonds that the City issued for the street repair project.

Unrestricted net assets of the City decreased from \$7.7 million at June 30, 2004 to \$7.6 million at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2005:

Summary Condensed Income Statement (normally presented in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 0.6	\$ 0.6	\$ 14.4	\$ 13.5	\$ 15.0	\$ 14.1
Operating grants and contributions	0.9	0.9	-	-	0.9	0.9
General revenue:						
Property taxes	5.3	5.0	1.2	1.3	6.5	6.3
State-shared revenues	1.3	1.3	-	-	1.3	1.3
Cable, franchise, and right-of-way fees	0.2	0.2	-	-	0.2	0.2
Investment income (loss)	0.3	0.1	1.4	(0.1)	1.7	-
Transfers	3.0	3.3	(3.0)	(3.3)	-	-
Other	-	-	0.2	-	0.2	-
Total revenue	11.6	11.4	14.2	11.4	25.8	22.8
Program Expenses						
General government	3.0	3.0	-	-	3.0	3.0
Public safety	4.9	5.0	-	-	4.9	5.0
Public works	1.7	3.8	-	-	1.7	3.8
Community and economic development	0.2	0.2	-	-	0.2	0.2
Recreation and culture	1.1	1.1	-	-	1.1	1.1
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Water and sewer	-	-	4.0	3.8	4.0	3.8
Golf course	-	-	1.4	1.4	1.4	1.4
Golf practice	-	-	0.2	0.2	0.2	0.2
Land preserve	-	-	6.4	5.0	6.4	5.0
Total program expenses	11.1	13.3	12.0	10.4	23.1	23.7
Change in Net Assets	0.5	(1.9)	2.2	1.0	2.7	(0.9)
Net Assets - Beginning of year	33.0	34.9	55.3	54.3	88.3	89.2
Net Assets - End of year	<u>\$ 33.5</u>	<u>\$ 33.0</u>	<u>\$ 57.5</u>	<u>\$ 55.3</u>	<u>\$ 91.0</u>	<u>\$ 88.3</u>

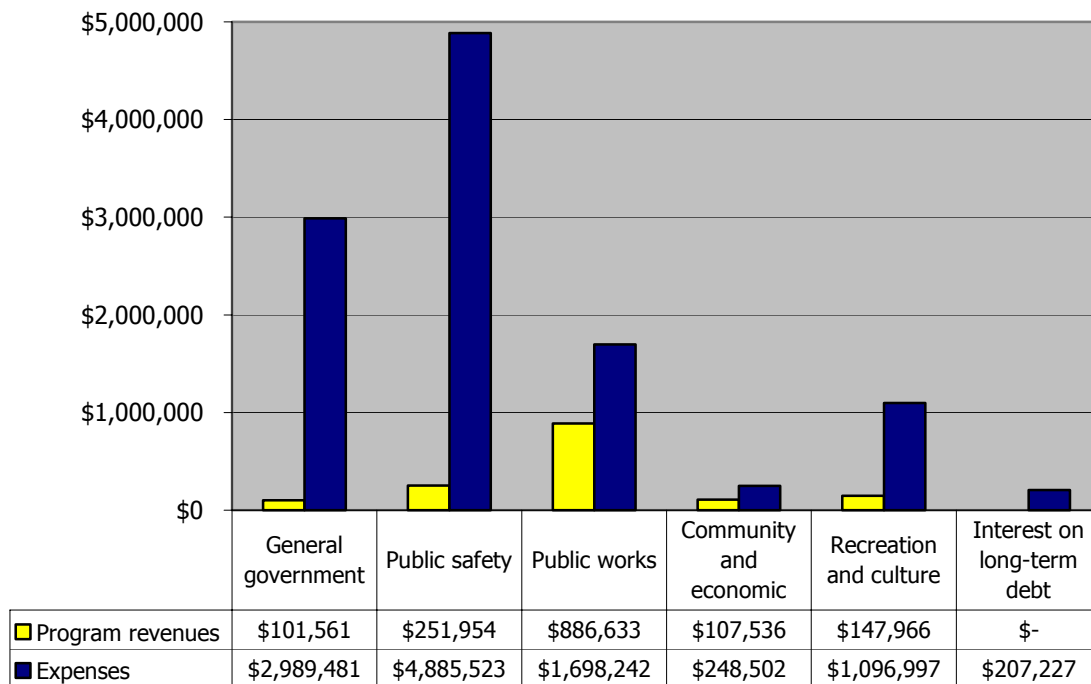
City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

For the year ended June 30, 2005, revenues for the City's governmental activities totaled \$11.6 million, or a slight increase of \$0.2 million from 2004. Property taxes increased slightly from \$5.0 million in 2004 to \$5.3 million in 2005, due to an increase in the property tax base as a result of inflationary increases in existing parcels. Operating transfers from Enterprise Funds were \$3.0 million in 2005, a decrease of \$0.3 million over last year. State-shared revenues were \$1.3 million in 2005, the same as in 2004. Even though there was no decrease from last year, these revenues continue to be a concern as to future funding levels.

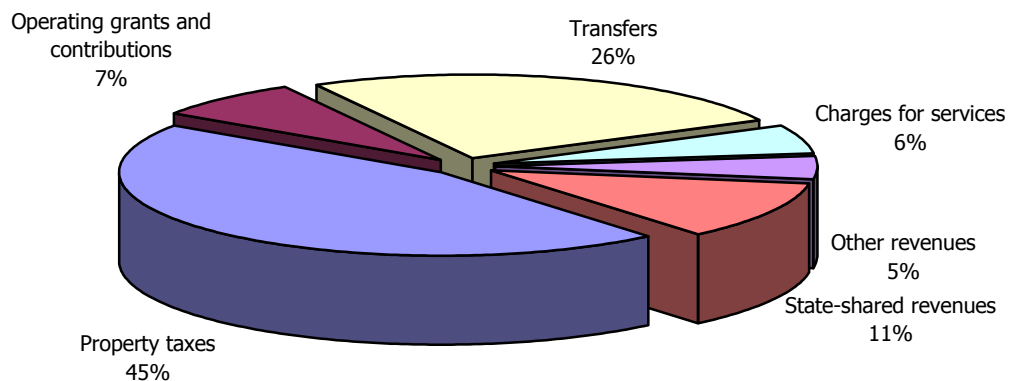
**Expenses and Program Revenues
Governmental Activities**



City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Revenue by Source Governmental Activities



Business-type Activities

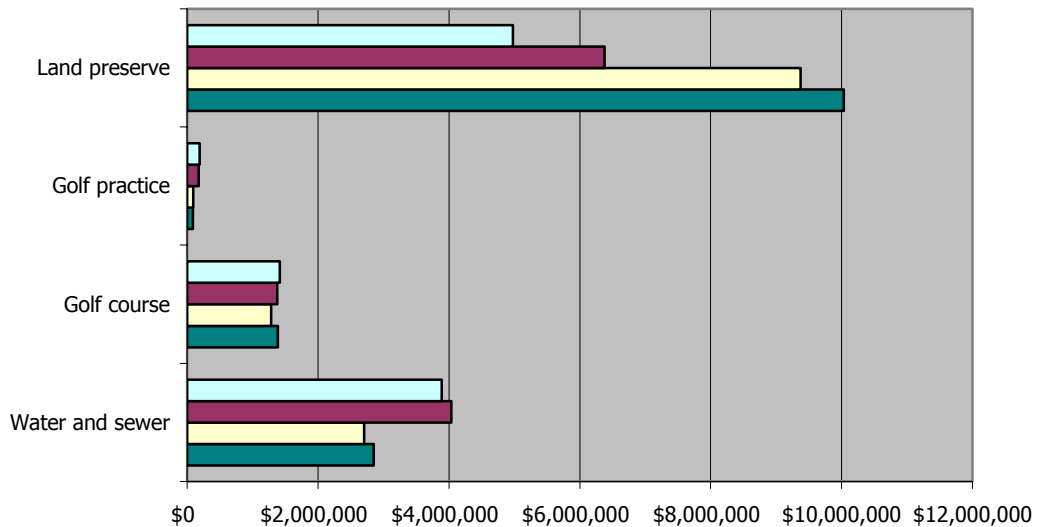
The City has four business-type activities: the water and sewer system, the golf course, the golf practice facility, and the land preserve. In total, these four activities generated \$14.4 million in charges for services and incurred \$14.9 million in expenses and transfers out in 2005, compared to \$13.5 million in charges for services and \$13.7 million in expenses and transfers out for 2004. The City experienced an increase in net assets of approximately \$2.2 million from its business-type activities.

In addition, general revenues for business-type activities were approximately \$2.8 million in 2005, compared to \$1.2 million in 2004. Investment income (loss) on investments went from (\$0.1) million in 2004 to \$1.4 million in 2005; this was primarily due to unrealized gains on funds held for long-term investments at the land preserve. Property tax revenue was \$1.2 million, or \$0.1 million lower than 2004; these property taxes are used to make payments on debt incurred for the sewer system improvements.

City of Riverview, Michigan

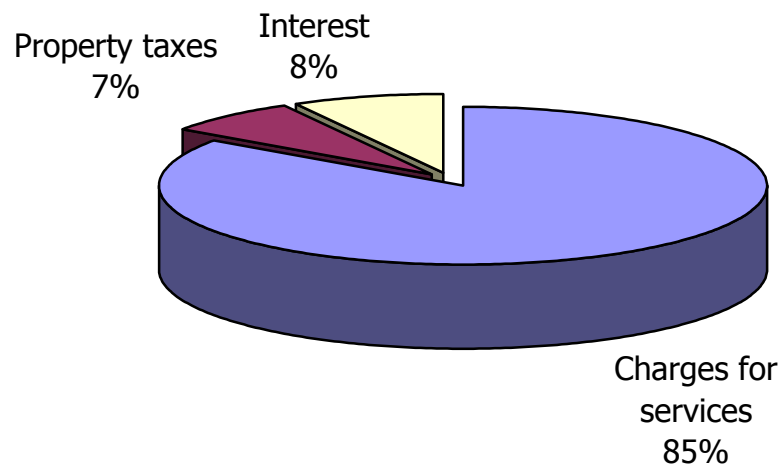
Management's Discussion and Analysis (Continued)

Expense and Program Revenues Business-type Activities



	Water and sewer	Golf course	Golf practice	Land preserve
2004 Program Expenses	\$3,889,434	1,413,759	189,200	4,977,952
2005 Program Expenses	\$4,036,828	1,376,823	177,416	6,378,207
2004 Program Revenues	\$2,702,919	1,281,238	93,959	9,374,955
2005 Program Revenues	\$2,852,194	1,385,356	86,205	10,032,096

Revenue by Source Business-type Activities



City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of fiscal year 2005, the City has \$134.2 million invested, before depreciation, in a wide range of capital assets, including land, building, public safety equipment, computer equipment, and water and sewer lines. Of that amount, approximately \$19.5 million, net of depreciation, relates to infrastructure.

Debt of \$7.9 million, related to the construction of the above-mentioned capital assets, is reported as a liability in the governmental activities in the statement of net assets. As noted earlier, the City issued \$7.6 million of general obligation bonds in February 2004 to finance various street repairs across the City. This project was originally intended to be completed over a 10-year period, but with the proceeds from the bond issuance, the project was shortened to three years and is expected to be completed by the end of 2006.

Debt related to the water and sewer system totaling \$19.9 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents improvements at the Wyandotte wastewater treatment plant that were mandated by a federal consent decree.

The City's Funds

The fund financial statements begin on page 16 and provide detailed information on the most significant governmental funds - not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2005 include the General Fund and the Major and Local Streets Funds.

The City's governmental funds reported combined fund balance of \$7.5 million for this year, a decrease of approximately \$3.4 million from last year. This decrease is primarily due to the expenditures related to the Streets Repair project, funded by the bonds issued in 2004. Approximately \$3.7 million was spent during 2005 on repairing and replacing streets.

General Fund Budgetary Highlights

Revenues for the General Fund increased from the original budget to the final budget by approximately \$70,000, primarily due to unexpected increases in ambulance billings and miscellaneous revenues. Actual revenues were approximately \$132,000 below the final budget amounts; this was primarily due to lower than anticipated income earned on investments, and revenue-sharing on the combined District Court agreement. These were offset by higher than anticipated miscellaneous revenues.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Expenditures increased from the original budget to the final budget by approximately \$98,000, based on increases for certain expenditures which arose during the year. Actual expenses were approximately \$164,000 below the final budget, resulting from tighter controls over spending due to lower revenue projections. Included in the General Fund expenditures was a contribution to the pension system of approximately \$445,000 for its general members and police members.

Current Economic Conditions

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years. The major sources of revenue for the City are property taxes, state-shared revenues, and charges for services. These sources have certain limitations outside of the City's control - taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation (e.g., health care). We are continuing to plan for the long term and will continue to balance the budgets through controls over spending, while still providing the City's residents with the same level of service to which they have become accustomed.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the director of finance at the City of Riverview, 14100 Civic Park Drive, Riverview, MI 48193.

City of Riverview, Michigan

Statement of Net Assets June 30, 2005

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 6,554,527	\$ 1,941,075	\$ 8,495,602	\$ 11,867
Receivables - Net:				
Taxes	236,049	-	236,049	-
Customers	-	4,083,221	4,083,221	-
Due from other governmental units	679,765	-	679,765	-
Other	218,539	52,201	270,740	-
Internal balances (Note 4)	(922,598)	922,598	-	-
Inventories	7,886	27,905	35,791	-
Prepaid and other assets	131,541	49,981	181,522	-
Restricted assets (Note 5)	3,454,000	27,236,301	30,690,301	-
Capital assets (Note 6):				
Nondepreciable capital assets	11,394,028	4,367,577	15,761,605	-
Depreciable capital assets - Net	22,867,158	54,878,927	77,746,085	-
Total assets	44,620,895	93,559,786	138,180,681	11,867
Liabilities				
Accounts payable	1,974,852	1,625,165	3,600,017	-
Accrued and other liabilities	396,542	138,569	535,111	-
Noncurrent liabilities:				
Due within one year (Note 7)	785,000	1,393,695	2,178,695	-
Due in more than one year (Note 7)	7,945,052	18,663,612	26,608,664	-
Land preserve closure liability (Note 5)	-	14,300,000	14,300,000	-
Total liabilities	11,101,446	36,121,041	47,222,487	-
Net Assets				
Invested in capital assets - Net of related debt	28,842,345	39,361,121	68,203,466	-
Restricted:				
Streets	2,261,750	-	2,261,750	-
CDBG	16,710	-	16,710	-
Water and sewer debt service	-	1,058,412	1,058,412	-
Land preserve closure and post- closure costs	-	11,877,889	11,877,889	-
Unrestricted	2,398,644	5,141,323	7,539,967	11,867
Total net assets	\$ 33,519,449	\$ 57,438,745	\$ 90,958,194	\$ 11,867

City of Riverview, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,989,481	\$ 82,561	\$ 19,000	\$ -
Public safety	4,885,523	223,749	28,205	-
Public works	1,698,242	182,035	704,598	-
Community and economic development	248,502	48,362	59,174	-
Recreation and culture	1,096,997	106,078	41,888	-
Interest on long-term debt	207,227	-	-	-
Total governmental activities	11,125,972	642,785	852,865	-
Business-type activities:				
Water and sewer	4,036,828	2,852,194	-	-
Golf course	1,376,823	1,385,356	-	-
Golf practice	177,416	86,205	-	-
Land preserve	6,378,207	10,032,096	-	-
Total business-type activities	11,969,274	14,355,851	-	-
Total primary government	<u>\$ 23,095,246</u>	<u>\$ 14,998,636</u>	<u>\$ 852,865</u>	<u>\$ -</u>
Component unit - Economic Development Corporation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State sources				
Cable, franchise, and right-of-way fees				
Investment income				
Miscellaneous revenue				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit -
Governmental	Business-type		Economic
Activities	Activities	Total	Development
			Corporation
\$ (2,887,920)	\$ -	\$ (2,887,920)	\$ -
(4,633,569)	-	(4,633,569)	-
(811,609)	-	(811,609)	-
(140,966)	-	(140,966)	-
(949,031)	-	(949,031)	-
(207,227)	-	(207,227)	-
(9,630,322)	-	(9,630,322)	-
-	(1,184,634)	(1,184,634)	-
-	8,533	8,533	-
-	(91,211)	(91,211)	-
-	3,653,889	3,653,889	-
-	2,386,577	2,386,577	-
(9,630,322)	2,386,577	(7,243,745)	-
-	-	-	-
5,299,761	1,240,813	6,540,574	-
1,325,681	-	1,325,681	-
231,919	-	231,919	-
286,054	1,369,239	1,655,293	-
7,403	180,000	187,403	-
2,977,959	(2,977,959)	-	-
10,128,777	(187,907)	9,940,870	-
498,455	2,198,670	2,697,125	-
33,020,994	55,240,075	88,261,069	11,867
\$ 33,519,449	\$ 57,438,745	\$ 90,958,194	\$ 11,867

City of Riverview, Michigan

Governmental Funds Balance Sheet June 30, 2005

	Major Special Revenue Funds				
	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 1,793,245	\$ 1,220,648	\$ 750,966	\$ 2,474,956	\$ 6,239,815
Restricted assets (Note 5)	-	-	3,454,000	-	3,454,000
Receivables:					
Taxes	206,000	-	11,069	18,980	236,049
State of Michigan	423,778	74,921	65,390	-	564,089
Other	210,620	-	-	7,919	218,539
Due from other funds (Note 4)	197,144	150,000	-	56,969	404,113
Due from other governmental units	71,500	-	-	44,176	115,676
Inventories	7,886	-	-	-	7,886
Prepaid expenses and other assets	92,709	-	-	-	92,709
Total assets	\$ 3,002,882	\$ 1,445,569	\$ 4,281,425	\$ 2,603,000	\$ 11,332,876
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 921,352	\$ 8,925	\$ 962,841	\$ 81,734	\$ 1,974,852
Due to other funds	1,292,307	-	-	60,571	1,352,878
Accrued and other liabilities	366,967	-	2,319	39,341	408,627
Deferred revenue	-	-	-	53,822	53,822
Total liabilities	2,580,626	8,925	965,160	235,468	3,790,179
Fund Balances					
Reserved for inventory	7,886	-	-	-	7,886
Reserved for encumbrances	-	61,890	-	-	61,890
Reserved for construction projects	-	-	2,491,159	-	2,491,159
Unreserved:					
Designated for pending tax tribunals	75,671	-	4,555	-	80,226
Undesignated	338,699	1,374,754	820,551	-	2,534,004
Unreserved, reported in:					
Special Revenue Funds	-	-	-	841,777	841,777
Debt Service Funds	-	-	-	171,072	171,072
Capital Projects Funds	-	-	-	1,354,683	1,354,683
Total fund balances	422,256	1,436,644	3,316,265	2,367,532	7,542,697
Total liabilities and fund balances	\$ 3,002,882	\$ 1,445,569	\$ 4,281,425	\$ 2,603,000	\$ 11,332,876

City of Riverview, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities June 30, 2005

Total Fund Balances of Governmental Funds	\$ 7,542,697
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	34,261,186
Certain revenue in the Community Development Block Grant Fund is deferred and will be recognized as revenue in the fund statements in future years	53,822
Compensated absences are not due and payable in the current period and are not reported in the funds	(820,052)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(7,910,000)
Accrued interest is not recorded in the funds	(33,926)
The Internal Service Fund (self-insurance) is included as part of governmental activities	<u>425,722</u>

Net Assets of Governmental Activities	<u>\$ 33,519,449</u>
--	-----------------------------

City of Riverview, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 4,591,401	\$ -	\$ 265,487	\$ 442,873	\$ 5,299,761
Federal sources	19,990	-	-	47,612	67,602
State sources	1,325,681	470,477	234,121	11,562	2,041,841
Charges to other funds	585,739	-	-	-	585,739
Ambulance fees	221,051	-	-	-	221,051
Investment income	30,127	67,377	82,696	105,851	286,051
Other	459,915	-	-	426,853	886,768
Total revenue	7,233,904	537,854	582,304	1,034,751	9,388,813
Expenditures					
General government	1,393,962	-	-	119,964	1,513,926
Public safety	4,379,185	-	-	-	4,379,185
Public works	1,919,420	299,281	3,714,148	784,658	6,717,507
Community and economic development	130,737	-	-	60,378	191,115
Recreation and culture	524,973	-	-	365,645	890,618
Employee benefits and other	1,072,916	-	-	-	1,072,916
Debt service:					
Principal	-	-	745,000	85,000	830,000
Interest and other charges	-	-	176,044	33,268	209,312
Total expenditures	9,421,193	299,281	4,635,192	1,448,913	15,804,579
Excess of Revenue Over (Under)					
Expenditures	(2,187,289)	238,573	(4,052,888)	(414,162)	(6,415,766)
Other Financing Sources (Uses)					
Operating transfers in	2,191,780	349,000	500,000	948,351	3,989,131
Operating transfers out	-	(12,928)	(349,000)	(649,244)	(1,011,172)
Total other financing sources (uses)	2,191,780	336,072	151,000	299,107	2,977,959
Net Change in Fund Balances	4,491	574,645	(3,901,888)	(115,055)	(3,437,807)
Fund Balances - Beginning of year	417,765	861,999	7,218,153	2,482,587	10,980,504
Fund Balances - End of year	\$ 422,256	\$ 1,436,644	\$ 3,316,265	\$ 2,367,532	\$ 7,542,697

City of Riverview, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ (3,437,807)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation 3,091,213

Governmental funds do not report the loss from the
sale of fixed assets (26,030)

Repayment of bond principal is an expenditure in the
governmental funds, but not in the statement of activities
(where it reduces long-term debt) 830,000

Interest expense is recorded when incurred in the statement
of activities 1,836

Certain revenues reported in the statement of activities in the
current year will not provide current financial resources in
the governmental funds until future years 33,295

Decrease in accumulated employee sick and vacation pay is
recorded when paid in the governmental funds 5,871

The Internal Service Fund (self-insurance) is also included as
governmental activities in the statement of activities 77

Change in Net Assets of Governmental Activities **\$ 498,455**

City of Riverview, Michigan

	Major Enterprise Funds		
	Water and Sewer	Golf Course	Land Preserve
Assets			
Current assets:			
Cash and investments	\$ 482,769	\$ 101,137	\$ 1,151,272
Accounts receivable:			
Customers	586,579	-	3,496,642
Other	52,201	-	-
Due from other funds (Note 4)	1,411,309	-	1,282,988
Inventories	-	15,583	12,322
Prepaid and other assets	44,462	4,967	-
Total current assets	2,577,320	121,687	5,943,224
Noncurrent assets:			
Restricted assets (Note 5)	1,058,412	-	26,177,889
Capital assets - Net (Note 6):			
Nondepreciable capital assets	-	-	2,772,377
Depreciable capital assets	30,520,749	1,735,360	21,161,198
Total noncurrent assets	31,579,161	1,735,360	50,111,464
Total assets	34,156,481	1,857,047	56,054,688
Liabilities			
Current liabilities:			
Accounts payable	375,574	28,043	1,217,970
Due to other funds (Note 4)	1,230,728	468,064	150,971
Accrued and other liabilities	37,047	28,933	68,142
Current liabilities payable from restricted assets (Note 5)	722,019	-	-
Current portion of bonds payable (Note 7)	671,676	-	-
Total current liabilities	3,037,044	525,040	1,437,083
Noncurrent liabilities:			
Bonds payable - Net of current portion (Note 7)	18,491,688	-	-
Accumulated employee benefits (Note 7)	104,618	40,065	22,790
Land preserve closure liability (Note 5)	-	-	14,300,000
Total noncurrent liabilities	18,596,306	40,065	14,322,790
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	10,635,366	1,735,360	23,933,575
Restricted for debt service (Note 5)	1,058,412	-	-
Restricted for land preserve closure and postclosure costs (Note 5)	-	-	11,877,889
Unrestricted	829,353	(443,418)	4,483,351
Total net assets (deficit)	<u>\$ 12,523,131</u>	<u>\$ 1,291,942</u>	<u>\$ 40,294,815</u>

Proprietary Funds
Statement of Net Assets (Deficit)
June 30, 2005

<u>Nonmajor Enterprise Fund</u>		<u>Governmental Activities</u>	
<u>Golf Practice</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>	
\$ 205,897	\$ 1,941,075	\$ 314,712	
-	4,083,221	-	
-	52,201	46,011	
78,064	2,772,361	26,167	
-	27,905	-	
552	49,981	38,832	
284,513	8,926,744	425,722	
-	27,236,301	-	
1,595,200	4,367,577	-	
1,461,620	54,878,927	-	
3,056,820	86,482,805	-	
3,341,333	95,409,549	425,722	
3,578	1,625,165	-	
-	1,849,763	-	
4,447	138,569	-	
-	722,019	-	
-	671,676	-	
8,025	5,007,192	-	
-	18,491,688	-	
4,451	171,924	-	
-	14,300,000	-	
4,451	32,963,612	-	
3,056,820	39,361,121	-	
-	1,058,412	-	
-	11,877,889	-	
272,037	5,141,323	425,722	
\$ 3,328,857	\$ 57,438,745	\$ 425,722	

City of Riverview, Michigan

	Major Enterprise Funds		
	Water and Sewer	Golf Course	Land Preserve
Operating Revenue			
Customer billings	\$ 2,845,429	\$ -	\$ -
Greens fees	-	957,574	-
Charges for services	-	-	-
Equipment rentals	-	314,792	-
Rubbish collections	-	-	9,728,813
Miscellaneous revenue	6,765	112,990	303,283
Total operating revenue	2,852,194	1,385,356	10,032,096
Operating Expenses			
Personnel services	448,610	691,081	1,684,103
Supplies	25,181	105,460	31,690
Water and sewer charges	1,430,209	-	-
Operation and maintenance	71,318	42,264	911,235
Depreciation	1,333,771	136,273	497,640
Other services and charges	316,929	401,745	3,253,539
Total operating expenses	3,626,018	1,376,823	6,378,207
Operating Income (Loss)	(773,824)	8,533	3,653,889
Nonoperating Revenue (Expenses)			
Investment income	141,994	22,106	1,186,457
Interest expense	(410,810)	-	-
Gain on sale of equipment	-	-	180,000
Property taxes - Downriver Sewage Disposal System	1,240,813	-	-
Total nonoperating revenue (expenses)	971,997	22,106	1,366,457
Income (Loss) - Before transfers	198,173	30,639	5,020,346
Transfers In	175,971	-	-
Transfers Out	-	-	(4,121,294)
Change in Net Assets	374,144	30,639	899,052
Net Assets - Beginning of year	12,148,987	1,261,303	39,395,763
Net Assets - End of year	<u>\$ 12,523,131</u>	<u>\$ 1,291,942</u>	<u>\$ 40,294,815</u>

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended June 30, 2005

Nonmajor Enterprise Fund		Governmental Activities
Golf Practice	Total Enterprise Funds	Internal Service Fund
\$ -	\$ 2,845,429	\$ -
14,294	971,868	-
-	-	343,170
71,911	386,703	-
-	9,728,813	-
-	423,038	158,983
86,205	14,355,851	502,153
74,416	2,898,210	-
10,070	172,401	-
-	1,430,209	-
2,595	1,027,412	-
72,227	2,039,911	-
18,108	3,990,321	520,978
177,416	11,558,464	520,978
(91,211)	2,797,387	(18,825)
18,682	1,369,239	18,902
-	(410,810)	-
-	180,000	-
-	1,240,813	-
18,682	2,379,242	18,902
(72,529)	5,176,629	77
967,364	1,143,335	-
-	(4,121,294)	-
894,835	2,198,670	77
2,434,022	55,240,075	425,645
<u>\$ 3,328,857</u>	<u>\$ 57,438,745</u>	<u>\$ 425,722</u>

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,770,721	\$ 1,385,356	\$ 9,811,595	\$ 86,205
Payments to suppliers	(1,845,595)	(647,853)	(3,606,538)	(33,782)
Payments to employees	(451,243)	(695,967)	(1,681,709)	(75,260)
Claims paid	-	-	-	-
Net cash provided by (used in) operating activities	473,883	41,536	4,523,348	(22,837)
Cash Flows from Noncapital Financing Activities				
Net transfers in (out) to other funds	175,971	-	(3,153,930)	-
Payments from (to) other funds	(1,665,307)	-	213,355	-
Net cash used in noncapital financing activities	(1,489,336)	-	(2,940,575)	-
Cash Flows from Capital and Related Financing Activities				
Collection of property taxes	1,240,813	-	-	-
Principal paid on long-term debt	(688,293)	-	-	-
Transfer to the county for future debt service	(994,605)	-	-	-
Interest paid on long-term debt	(165,166)	-	-	-
Proceeds from the sale of assets	-	-	180,000	-
Purchase of capital assets	(260,776)	(12,943)	(1,675,544)	(5,206)
Net cash used in capital and related financing activities	(868,027)	(12,943)	(1,495,544)	(5,206)
Cash Flows from Investing Activities				
Investment income on investments	141,994	22,106	1,186,457	18,682
Net sales (purchases) of investment securities	1,557,087	(22,106)	(1,273,686)	(18,682)
Net cash provided by (used in) investing activities	1,699,081	-	(87,229)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(184,399)	28,593	-	(28,043)
Cash and Cash Equivalents - July 1, 2004	561,735	(278,581)	600	27,039
Cash and Cash Equivalents - June 30, 2005	\$ 377,336	\$ (249,988)	\$ 600	\$ (1,004)
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 482,769	\$ 101,137	\$ 1,151,272	\$ 205,897
Restricted assets	-	-	25,478,527	-
Total cash and cash equivalents	482,769	101,137	26,629,799	205,897
Less investments	(105,433)	(351,125)	(26,629,199)	(206,901)
Net cash and cash equivalents	\$ 377,336	\$ (249,988)	\$ 600	\$ (1,004)

**Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2005**

		Governmental Activities	
Total Enterprise Funds		Internal Service Fund	
\$	14,053,877	\$	502,153
	(6,133,768)		-
	(2,904,179)		-
	<u>-</u>		<u>(617,671)</u>
	5,015,930		(115,518)
	(2,977,959)		-
	<u>(1,451,952)</u>		<u>(26,167)</u>
	(4,429,911)		(26,167)
	1,240,813		-
	(688,293)		-
	(994,605)		-
	(165,166)		-
	180,000		-
	<u>(1,954,469)</u>		<u>-</u>
	(2,381,720)		-
	1,369,239		18,902
	<u>242,613</u>		<u>(18,902)</u>
	1,611,852		-
	(183,849)		(141,685)
	<u>310,793</u>		<u>213,393</u>
\$	<u>126,944</u>	\$	<u>71,708</u>
\$	1,941,075	\$	314,712
	<u>25,478,527</u>		<u>-</u>
	27,419,602		314,712
	<u>(27,292,658)</u>		<u>(243,004)</u>
\$	<u>126,944</u>	\$	<u>71,708</u>

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (773,824)	\$ 8,533	\$ 3,653,889	\$ (91,211)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,333,771	136,273	497,640	72,227
Changes in assets and liabilities:				
Receivables	(81,473)	(4,967)	(220,501)	-
Prepaid assets	(16,120)	-	-	(552)
Inventory	-	3,404	(12,322)	-
Restricted asset receivable	-	-	(101,942)	-
Accounts payable	14,162	(96,821)	104,190	(2,457)
Accrued and other liabilities	(2,633)	(4,886)	2,394	(844)
Land preserve closure liability	-	-	600,000	-
Net cash provided by (used in) operating activities	<u>\$ 473,883</u>	<u>\$ 41,536</u>	<u>\$ 4,523,348</u>	<u>\$ (22,837)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2005, the following activities occurred at the County of Wayne that are not reflected in the statement of cash flows:

Assets on Hand - July 1, 2004	\$ 1,031,412
Interest earned on investment	\$ 21,049
Judgment levy	994,605
Principal paid	(721,961)
Interest paid	(266,693)
Assets on Hand - June 30, 2005	<u><u>\$ 1,058,412</u></u>

Proprietary Funds
Statement of Cash Flows (Continued)
Year Ended June 30, 2005

Total Enterprise Funds	Governmental Activities
	Internal Service Fund
\$ 2,797,387	\$ (18,825)
2,039,911	-
(306,941)	(46,011)
(16,672)	(1,567)
(8,918)	-
(101,942)	-
19,074	-
(5,969)	(49,115)
<u>600,000</u>	<u>-</u>
<u>\$ 5,015,930</u>	<u>\$ (115,518)</u>

City of Riverview, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2005

	Pension Trust Fund - Employees' Retirement System	Private Purpose Trust Fund - Community Trust	Agency Funds
Assets			
Cash and cash equivalents	\$ 2,035,485	\$ 9,806	\$ 109,913
Investments:			
Corporate bonds and notes	1,363,912	-	-
U.S. government securities	5,465,855	-	-
Common and preferred stock	10,498,740	-	-
Other receivables	733,419	-	485,810
Total assets	20,097,411	9,806	<u><u>\$ 595,723</u></u>
Liabilities			
Escrow	-	-	\$ 109,913
Due to other governmental units	-	-	485,810
Other	-	3,195	-
Total liabilities	-	3,195	<u><u>\$ 595,723</u></u>
Net Assets			
Reserved:			
Employee contributions	3,947,972	-	
Retired benefit payments	10,806,799	-	
Employer contributions	870,346	-	
Undistributed income	4,472,294	-	
Unreserved	-	6,611	
Total net assets	<u><u>\$ 20,097,411</u></u>	<u><u>\$ 6,611</u></u>	

City of Riverview, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Private Purpose Trust Funds Year Ended June 30, 2005

	Pension Trust Fund - Employees' Retirement System	Private Purpose Trust Fund - Community Trust
Additions		
Investment income:		
Interest and dividends	\$ 582,268	\$ 23
Net appreciation in fair value of investments	222,721	-
Less investment expenses	(120,061)	-
Net investment income	684,928	23
Contributions:		
Employer	610,663	-
Employee	270,043	-
Total contributions	880,706	-
Total additions	1,565,634	23
Deductions		
Benefit payments	1,185,567	-
Refunds of contributions	45,465	-
Total deductions	1,231,032	-
Net Increase	334,602	23
Net Assets Held in Trust for Pension Benefits and Private Purpose Trust Fund		
Beginning of year	19,762,809	6,588
End of year	<u>\$ 20,097,411</u>	<u>\$ 6,611</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Riverview, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Riverview, Michigan:

Reporting Entity

The City of Riverview, Michigan is governed by a mayor and six-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Although the blended component unit is a legal separate entity, in substance, it is part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit - The City's Building Authority is a City-created and directed authority whose sole business activity is acquiring and leasing property to the City. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings, and its operations consist of the issuance and repayment of debt and the related construction. The operations of the Building Authority are reported as a nonmajor Debt Service Fund.

Discretely Presented Component Unit - The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, consisting of nine individuals, is appointed by the City Council. Complete financial statements for the EDC can be obtained from the administrative office at 14100 Civic Park Drive, Riverview, MI 48193.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through state-shared gas and weight taxes.

Note I - Summary of Significant Accounting Policies (Continued)

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the City. Funding is provided primarily through state-shared gas and weight taxes and a local property tax levy.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and the sewage and storm water collection systems. Funding is provided primarily through user charges and a local property tax levy.

Golf Course Fund - The Golf Course Fund accounts for the activity of the golf course. Funding is provided primarily through user charges.

Land Preserve Fund - The Land Preserve Fund accounts for the activities of the landfill operation. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to fund general liability claims and purchase insurance that provides excess general liability coverage for City employees and property. The fund is financed primarily by charges to the various departments of the City.

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the employee benefit plan that accumulates resources for pension payments to qualified employees.

Private Purpose Trust Fund - The Private Purpose Trust Fund accounts for the activity of resources donated for the veterans’ memorial.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on August 31, and become a lien on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

The 2004 taxable valuation of the City totaled \$353 million, on which ad valorem taxes levied consisted of 14.46 mills for the City's operating purposes and 3.5 mills for sewage disposal debt. The ad valorem taxes levied raised \$5.1 million for operations (taxes are reflected in the General Fund, Local Street Fund, and Library Fund) and \$1.2 million for sewage disposal debt.

The delinquent real property taxes of the City are purchased by Wayne County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Wayne County remitted its purchased delinquent real property taxes in August 2005. Wayne County's delinquent real property taxes have been recorded as revenue in the current year.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care costs of the land preserve. In addition, unspent bond proceeds of the Local Streets Fund are required to be set aside for construction. These amounts have all been classified as restricted assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	10 to 30 years
Buildings and improvements	20 to 30 years
Land improvements	5 to 40 years
Vehicles	1 to 10 years
Furniture, fixtures, and equipment	5 to 30 years
Water and sewer distribution systems	20 to 40 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation benefits. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the city manager and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception of operating transfers, which have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

The budget statements (budgetary combined schedules for the General and Major Special Revenue Funds) are presented on the same basis of accounting used in preparing the adopted budget.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular meeting in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. As provided for by the City Charter, not later than the second Monday in June, the budget is legally adopted through the passage of budget resolutions for each fund.
4. The city manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditure of any department, and transfers between funds or department, or from contingency must be approved by the City Council.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as adopted by the City Council is included in the required supplemental information. This comparison includes expenditure overruns. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the City Council is available at the city hall for inspection.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were significantly in excess of the amounts budgeted, as follows:

<u>General Fund</u>	<u>Final Budget</u>	<u>Actual</u>
Public safety:		
Police	\$ 3,075,242	\$ 3,163,893
Fire	1,163,818	1,215,292

Expenditures exceeded budget for the police department due to the unanticipated retirement of two police personnel. Each of the retirees received vacation and sick day payouts which accounts for the variance between final budget and actual expenditures. Expenditures exceeded budget for the fire department due to the increase in part-time salaries over budget. This was due to the scheduling and availability of part-time employees because employees at a higher pay rate were working more than those at a lower rate.

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2004		\$ (623,297)
Current year building permit revenue		71,968
Related expenses:		
Direct costs	\$ 230,025	
Estimated indirect costs	<u>23,003</u>	
Total construction code expenses		<u>253,028</u>
Cumulative shortfall at June 30, 2005		<u><u>\$ (804,357)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in certificates of deposit of financial institutions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; bankers' acceptances of United States banks; commercial paper which matures not more than 270 days after the date of purchase; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967; investment pools organized under the Surplus Investment Act of 1982; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Employees' Retirement System is also authorized by Michigan's Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles.

The City has designated four banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City of Riverview, Michigan's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$9,854,774 of bank deposits (certificates of deposit, checking and savings accounts). Of that amount, approximately \$410,000 was covered by the federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	10 Years and More
Primary Government					
U.S. government agencies and securities:					
Federal Home Loan Bank	\$ 3,443,122	\$ 1,891,531	\$ 1,061,121	\$ -	\$ 490,470
Federal Home Loan Mortgage Corp.	4,029,057	370,536	2,277,115	-	1,381,406
Federal Farm Credit Bank	265,866	-	265,866	-	-
Federal National Mortgage Association	8,670,279	2,349,878	4,482,903	-	1,837,498
T-Notes	9,559,963	1,925,498	4,025,700	-	3,608,765
Government National Mortgage Association	43,559	-	-	-	43,559
Fiduciary Funds					
U.S. government agencies and securities:					
Federal Home Loan Bank	186,508	-	186,508	-	-
Federal Home Loan Mortgage Corp.	1,108,423	-	574,712	533,711	-
Federal National Mortgage Association	1,124,559	-	289,838	37,080	797,641
T-Notes	3,284,293	1,146,212	1,110,740	1,027,341	-
Government National Mortgage Association	12,753	-	-	-	12,753
Collateralized mortgage obligations	47,388	-	-	-	47,388
Corporate bonds	1,415,132	-	648,068	767,064	-

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment Type	Fair Value	Rating	Rating Organization
Primary Government			
U.S. government agencies and securities:			
Federal Home Loan Bank	\$ 3,443,122	AAA	S & P
Federal Home Loan Mortgage Corp.	4,029,057	AAA	S & P
Federal Farm Credit Bank	8,670,279	AAA	S & P
Federal National Mortgage Association	1,514,868	AAA	S & P
Fiduciary Funds			
U.S. government agencies and securities:			
Federal Home Loan Bank	186,508	Aaa	Moody's
Federal Home Loan Mortgage Corp.	1,071,259	AAA	S & P
	37,164	Not rated	N/A
Federal National Mortgage Association	289,838	AAA	S & P
	834,721	Not rated	N/A
Collateralized mortgage obligations	47,388	Not rated	N/A
Corporate bonds			
	337,874	Aaa	Moody's
	107,960	Aa2	Moody's
	308,783	Aa3	Moody's
	385,336	A1	Moody's
	196,611	A2	Moody's
	78,568	A3	Moody's

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. The City has more than 5 percent of its investments in the following:

Governmental Activities

U.S. government agencies and securities:

Federal Home Loan Bank	9.97%
Federal Home Loan Mortgage Corp.	11.66%
Federal National Mortgage Association	25.09%

Local Streets Fund

U.S. government agencies and securities:

Federal Home Loan Bank	30.56%
Federal Home Loan Mortgage Corp.	8.87%
Federal Farm Credit Bank	6.36%
Federal National Mortgage Association	36.24%

Land Preserve Fund

U.S. government agencies and securities:

Federal Home Loan Bank	8.60%
Federal National Mortgage Association	28.43%
Federal Home Loan Mortgage Corp.	14.53%

Fiduciary Funds

U.S. government agencies and securities:

Federal Home Loan Mortgage Corp.	5.72%
Federal National Mortgage Association	5.81%

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 161,573
	Nonmajor governmental funds	35,571
	Total General Fund	197,144
Major Streets Fund	Water and Sewer Fund	150,000
Internal Service Fund	Water and Sewer Fund	26,167
Nonmajor governmental funds	General Fund	56,969
Enterprise Funds:		
Golf Practice Fund	Golf Course Fund	78,064
Water and Sewer Fund	General	1,235,338
	Nonmajor governmental funds	25,000
	Land Preserve Fund	150,971
	Total Water and Sewer Fund	1,411,309
Land Preserve Fund	Golf Course Fund	390,000
	Water and Sewer Fund	892,988
	Total Land Preserve Fund	1,282,988
	Total Enterprise Funds	2,772,361
	Total	<u>\$ 3,202,641</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund statements were as follows:

Fund Transferred From	Fund Transferred To	Amount
Major Streets Fund	Nonmajor governmental funds	\$ 12,928
Local Streets Fund	Major Streets Fund (2)	349,000
Nonmajor governmental funds	General Fund	507,696
	Nonmajor governmental funds	116,548
	Water and Sewer Fund	25,000
	Total nonmajor governmental funds	649,244
Land Preserve Fund	General Fund (1)	1,684,084
	Local Streets Fund	500,000
	Nonmajor governmental funds (1)	818,875
	Water and Sewer Fund	150,971
	Golf Practice Fund (1)	967,364
	Total Land Preserve Fund	4,121,294
	Total	<u>\$ 5,132,466</u>

(1) Transfer of discretionary funds to be used for the benefit of the community

(2) Transfer of bond proceeds received in the Local Streets Fund in the prior year for major and local street repairs and projects

Note 5 - Restricted Assets

Restricted assets at June 30, 2005 consist of the following:

	Governmental Activities	Business-type Activities
	Local Streets Fund	Water and Sewer Fund Land Preserve Fund
Cash and investments	\$ 3,454,000	\$ - \$ 25,478,528
Accounts receivable - Restricted portion of April, May, and June 2005 receipts physically transferred in August 2005	-	- 699,361
Deposits held by Wayne County - Water and Sewer Fund	-	1,058,412 -
Total restricted assets	<u>\$ 3,454,000</u>	<u>\$ 1,058,412 \$ 26,177,889</u>

Note 5 - Restricted Assets (Continued)

Local Streets Fund - The City has cash and investments from the issuance of debt of \$3,454,000 that is restricted to be used for future construction.

Water and Sewer - As described in Note 8, the City also has assets of \$1,058,412 held at Wayne County that are restricted for debt payments related to the Downriver Sewage Disposal System project. The restricted assets balance results from the debt service tax levy in excess of debt expenses for the Downriver Sewage Disposal System project. Of this amount, \$722,019 of debt is currently payable from restricted assets and the remainder of the assets is for long-term debt obligations.

Landfill - Closure and Postclosure Care Costs - State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and postclosure care costs as an operating expense in each period based on the acres of the entire permitted site used as of each balance sheet date. The \$14,300,000 reported as landfill closure and postclosure liability at June 30, 2005 represents the cumulative amount reported to date based on the closure and postclosure costs related to the acres of the permitted site that have been used. The City will recognize the remaining estimate of closure and postclosure care costs of approximately \$4,400,000 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. The City expects to close the landfill in the year 2021. On a volume basis versus site acreage basis, approximately 55 percent of landfill capacity is used as of June 30, 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 5 - Restricted Assets (Continued)

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care (see Note 8). The City is in compliance with these requirements and, at June 30, 2005, investments of \$25,478,528 and accounts receivable of \$699,361 are held for these purposes. These are reported as restricted assets on the balance sheet. Net assets have been restricted for \$11,877,889, which is the total restricted assets of \$26,177,889 less the closure and postclosure liability of \$14,300,000. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 6 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Governmental activities:				
Capital assets not being depreciated - Land	\$ 11,336,844	\$ 57,184	\$ -	\$ 11,394,028
Capital assets being depreciated:				
Infrastructure	32,106,883	4,787,555	(2,312,454)	34,581,984
Buildings and improvements	9,817,517	7,556	-	9,825,073
Equipment and vehicles	5,108,772	257,160	(338,140)	5,027,792
Subtotal	47,033,172	5,052,271	(2,650,594)	49,434,849
Accumulated depreciation:				
Infrastructure	16,097,163	1,335,324	(2,312,454)	15,120,033
Buildings and improvements	6,920,549	339,144	-	7,259,693
Equipment and vehicles	4,156,301	343,774	(312,110)	4,187,965
Subtotal	27,174,013	2,018,242	(2,624,564)	26,567,691
Net capital assets being depreciated	19,859,159	3,034,029	(26,030)	22,867,158
Net governmental capital assets	\$ 31,196,003	\$ 3,091,213	\$ (26,030)	\$ 34,261,186

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 6 - Capital Assets (Continued)

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Business-type activities:				
Water and sewer capital assets:				
Capital assets being depreciated:				
Buildings and improvements	\$ 91,648	\$ -	\$ -	\$ 91,648
Vehicles	518,037	27,168	(25,069)	520,136
Furniture, fixtures, and equipment	595,047	221,265	(25,000)	791,312
Water and sewer distribution systems	39,024,646	12,343	-	39,036,989
Subtotal	40,229,378	260,776	(50,069)	40,440,085
Accumulated depreciation:				
Buildings and improvements	65,896	4,246	-	70,142
Vehicles	370,192	28,431	(25,069)	373,554
Furniture, fixtures, and equipment	378,924	72,963	(25,000)	426,887
Water and sewer distribution systems	7,820,622	1,228,131	-	9,048,753
Subtotal	8,635,634	1,333,771	(50,069)	9,919,336
Net water and sewer capital assets	31,593,744	(1,072,995)	-	30,520,749
Golf course capital assets:				
Capital assets being depreciated:				
Buildings and improvements	1,117,254	-	-	1,117,254
Land improvements	1,535,568	7,043	-	1,542,611
Furniture, fixtures, and equipment	701,774	5,900	-	707,674
Subtotal	3,354,596	12,943	-	3,367,539
Accumulated depreciation:				
Buildings and improvements	821,106	49,681	-	870,787
Land improvements	130,219	44,996	-	175,215
Furniture, fixtures, and equipment	544,581	41,596	-	586,177
Subtotal	1,495,906	136,273	-	1,632,179
Net golf course capital assets	1,858,690	(123,330)	-	1,735,360
Land preserve capital assets:				
Capital assets not being depreciated -				
Land	2,772,377	-	-	2,772,377
Capital assets being depreciated:				
Buildings and land improvements	19,763,602	736,064	-	20,499,666
Vehicles	91,746	11,605	-	103,351
Furniture, fixtures, and equipment	2,469,019	927,875	(547,452)	2,849,442
Subtotal	22,324,367	1,675,544	(547,452)	23,452,459

Note 6 - Capital Assets (Continued)

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Business-type activities (Continued):				
Land preserve capital assets (Continued):				
Accumulated depreciation:				
Buildings and land improvements	\$ 786,395	\$ 163,414	\$ -	\$ 949,809
Vehicles	36,698	20,670	-	57,368
Furniture, fixtures, and equipment	1,517,980	313,556	(547,452)	1,284,084
Subtotal	2,341,073	497,640	(547,452)	2,291,261
Net capital assets being depreciated	19,983,294	1,177,904	-	21,161,198
Net land preserve capital assets	22,755,671	1,177,904	-	23,933,575
Golf practice capital assets:				
Capital assets not being depreciated:				
Land	691,901	-	-	691,901
Land improvements	903,299	-	-	903,299
Subtotal	1,595,200	-	-	1,595,200
Capital assets being depreciated:				
Buildings and improvements	411,467	-	-	411,467
Furniture, fixtures, and equipment	1,369,456	5,206	-	1,374,662
Subtotal	1,780,923	5,206	-	1,786,129
Accumulated depreciation:				
Buildings and improvements	48,454	14,607	-	63,061
Furniture, fixtures, and equipment	203,828	57,620	-	261,448
Subtotal	252,282	72,227	-	324,509
Net capital assets being depreciated	1,528,641	(67,021)	-	1,461,620
Net golf practice capital assets	3,123,841	(67,021)	-	3,056,820
Net business-type activity capital assets	\$ 59,331,946	\$ (85,442)	\$ -	\$ 59,246,504

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 1,589,741
Public safety	125,867
Public works	151,860
Recreation and culture	<u>150,774</u>

Total governmental activities	<u>\$ 2,018,242</u>
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Business-type activities:

Water and sewer	\$ 1,333,771
Golf course	136,273
Land preserve	497,640
Golf practice	<u>72,227</u>

Total business-type activities	<u>\$ 2,039,911</u>
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Construction Commitments - The City has active construction projects at year end. The projects are described below. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street repair	\$ 3,979,851	\$ 3,285,829
Pennsylvania Road street light	-	64,216
Leachate tank improvements	556,881	61,688
Sidewalk sectioning	137,424	7,233
Tree replacement project	50,134	5,925
Platform stairway lift	16,770	17,769
Parkway watermain	<u>2,466</u>	<u>43,729</u>
Total	<u>\$ 4,743,526</u>	<u>\$ 3,486,389</u>

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the government. Other long-term obligations include compensated absences, claims and judgments, and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds - 2003 Library Building						
Authority Refunding Bonds:						
Amount of issue - \$1,160,000	2.00% -					
Maturing through 2014	3.80%	\$ 1,140,000	\$ -	\$ (85,000)	\$ 1,055,000	\$ 90,000
General obligation bonds - 2004 Street Bonds:						
Amount of issue - \$7,600,000	1.25% -					
Maturing through 2014	3.125%	7,600,000	-	(745,000)	6,855,000	695,000
Compensated absences		825,923	-	(5,871)	820,052	-
Total governmental activities		9,565,923	-	(835,871)	8,730,052	785,000
Business-type activities:						
General obligation bonds:						
1993 General Obligation Limited Tax Bonds:						
Amount of issue - \$10,860,000						
Maturing through 2015	2.00%	6,468,538	-	(535,000)	5,933,538	545,000
2003 General Obligation Limited Tax Refunding Bonds:						
Amount of issue - \$1,295,000	2.25% -					
Maturing through 2015	3.60%	1,265,000	-	(100,000)	1,165,000	100,000
County contractual agreements:						
Downriver Sewage Disposal System Bonds						
Series A Refunding Bonds:						
Amount of issue - \$328,862						
Maturing through 2013	Various	313,906	-	(25,317)	288,589	26,582
Downriver Sewage Disposal System Bonds Series B:						
Amount of issue - \$701,512						
Maturing through 2018	Various	600,063	-	(28,285)	571,778	29,454
State Revolving Fund Loan:						
Amount of issue - \$14,428,703	2.00% -					
Maturing through 2021	2.50%	12,265,291	-	(668,359)	11,596,932	665,983
City of Ecorse plant capacity obligation:						
Amount of issue - \$518,402	-					
Maturing through 2021		382,839	-	(53,293)	329,546	26,676
Total bonds and other contractual obligations		21,295,637	-	(1,410,254)	19,885,383	1,393,695
Other long-term obligations - Compensated absences		199,592	-	(27,668)	171,924	-
Total business-type activities		21,495,229	-	(1,437,922)	20,057,307	1,393,695
Total governmental and business-type activities		\$ 31,061,152	\$ -	\$ (2,273,793)	\$ 28,787,359	\$ 2,178,695

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 785,000	\$ 195,705	\$ 980,705	\$ 1,393,695	\$ 454,780	\$ 1,848,475
2007	800,000	179,855	979,855	1,429,679	426,511	1,856,190
2008	820,000	163,465	983,465	1,448,620	375,490	1,824,110
2009	835,000	144,981	979,981	1,492,573	362,638	1,855,211
2010	860,000	123,875	983,875	1,520,994	331,508	1,852,502
2011-2015	3,810,000	251,189	4,061,189	8,113,515	1,045,438	9,158,953
2016-2020	-	-	-	3,996,492	337,309	4,333,801
2021-2024	-	-	-	489,815	12,967	502,782
Total	<u>\$ 7,910,000</u>	<u>\$ 1,059,070</u>	<u>\$ 8,969,070</u>	<u>\$ 19,885,383</u>	<u>\$ 3,346,641</u>	<u>\$ 23,232,024</u>

Note 8 - Commitments and Contingencies

State of Michigan Perpetual Care Fund - In October 1990, the City entered into an escrow agreement with the State of Michigan Department of Natural Resources to establish a perpetual care fund. This agreement requires that the City deposit into the perpetual care fund escrow account a fixed amount for every unit of solid waste disposed of in the Riverview Land Preserve. These funds, along with all earnings, interest, and profits, are to be used solely for payment of the costs of closure, monitoring, maintenance, or response activities at the facility necessary to protect public health, safety, and welfare or to protect the environment. The perpetual care fund is reported in the restricted assets of the Land Preserve Fund.

Lawsuits - There are several lawsuits pending against the City. The estimated liabilities associated with these lawsuits, if any, cannot be determined and management expects any settlements to be covered by the City's insurance; therefore, no liability has been recorded.

The City is involved in a lawsuit related to the landfill operations. A judgment of approximately \$1,600,000 was entered against the City. The case is currently under appeal and the outcome is unknown.

Note 8 - Commitments and Contingencies (Continued)

Several years ago, the City was named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Disposal System. Several other communities, including Wayne County, are also named as defendants. Under terms of an interim federal court order, the communities were required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$281,000,000, with the City's share estimated to be approximately \$19,500,000, exclusive of any potential fines or penalties. Through June 30, 2005, bonds totaling approximately \$16,000,000 have been issued in relation to this project.

Commitments and Obligations - The City is a part of the Downriver Sewage Disposal System (DSDS). Subsequent to year end, the DSDS issued State Revolving Fund bonds. The bonds were issued on September 22, 2005 and the City's share was \$209,440. In fiscal year 2006, the DSDS expects to issue completion bonds and capital improvement bonds for which the City's portion will be \$1,421,841 and \$167,420, respectively.

The City entered into an agreement with Wayne County, Brownstown Township, and the City of Southgate in June 2001. This agreement was made for the purpose of paving Pennsylvania Road and for the acquisition of right-of-way on Pennsylvania Road. The City's share of the project is \$1,017,522. The Major Streets Fund will pay for the costs as incurred. The construction of this project commenced in the spring of 2004. As of June 30, 2005, approximately \$590,000 has been spent for this project.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2005, \$2,100,000 of bonds outstanding are considered defeased.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool program for claims related to general and auto liability, auto physical damage, and property. The Authority operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to commercial health insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Retirement Plan

Plan Description

The City of Riverview Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Riverview; this plan covers all qualified general and police employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2004, the date of the most recent actuarial valuation, membership consisted of 74 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 94 current active employees. The plan does not issue a separate financial report.

Note 10 - Retirement Plan (Continued)

Annual Pension Costs

For the year ended June 30, 2005, the City was required to make a contribution to the pension plan of \$610,663, exclusive of \$270,043 of employee contributions, which was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2004, using the entry age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5 percent per year compounded annually, (c) additional projected salary increases ranging from 0 percent to 4 percent per year, depending on age, attributable to seniority/merit, and (d) no postretirement benefit increases. An inflation component of 5 percent is included in (b) above. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 19 years.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2005

Note 10 - Retirement Plan (Continued)

Reserve Balances

The reserves for the retirement systems at June 30, 2005 consist of the following:

Legally required reserves:	
Reserved for employee contributions	\$ 3,947,972
Reserved for retiree benefit payments	10,806,799
Additional reserves:	
Reserved for employer contributions	870,346
Reserved for undistributed income	4,472,294
Total	<u>\$ 20,097,411</u>

Three-year trend information as of June 30 follows:

	2003	2004	2005
Employees' Retirement System:			
Annual pension costs (APC)	\$ 433,341	\$ 552,179	\$ 610,663
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 - Other Postemployment Benefits

The City provides health care to all full-time employees upon retirement, in accordance with labor contracts. Currently, 66 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with some retired employee groups contributing a portion of the cost. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits were paid by the General Fund as the insurance premiums became due; during the year, this amounted to approximately \$515,000.

Note 11 - Other Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Required Supplemental Information

City of Riverview, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 417,765	\$ 417,765	\$ 417,765	\$ -
Revenues				
Property taxes	4,534,060	4,534,060	4,591,401	57,341
Federal sources	8,500	8,500	19,990	11,490
State sources	1,274,072	1,274,072	1,325,681	51,609
Charges to other funds	620,342	626,862	585,739	(41,123)
Investment income	125,000	125,000	30,127	(94,873)
Other revenues:				
Business licenses	78,107	78,107	68,474	(9,633)
Nonbusiness licenses and permits	106,000	106,000	71,968	(34,032)
Operating transfers in	2,296,865	2,296,865	2,191,780	(105,085)
Court fines (net of costs)	71,500	71,500	(13,567)	(85,067)
Recreation	173,925	183,125	172,686	(10,439)
Ambulance fees	175,000	210,000	221,051	11,051
Miscellaneous	23,400	43,400	160,354	116,954
Total other revenues	2,924,797	2,988,997	2,872,746	(116,251)
Total revenues	9,486,771	9,557,491	9,425,684	(131,807)
Expenditures				
General government:				
City Council	68,207	68,207	51,538	16,669
District Court	5,704	5,704	2,435	3,269
City manager	288,124	289,769	286,652	3,117
Assessor and purchasing agent	231,605	231,005	209,140	21,865
Attorney	314,000	314,000	324,559	(10,559)
Clerk	232,035	230,908	199,328	31,580
Finance	327,816	327,155	320,310	6,845
Total general government	1,467,491	1,466,748	1,393,962	72,786
Public safety:				
Police	3,056,142	3,075,242	3,163,893	(88,651)
Fire	1,146,508	1,163,818	1,215,292	(51,474)
Total public safety	4,202,650	4,239,060	4,379,185	(140,125)
Public works:				
Department of Public Works	876,367	875,852	855,277	20,575
Building maintenance	415,231	415,231	404,775	10,456
City hall and ground	113,491	111,691	111,525	166
Engineering and building	261,445	261,445	230,025	31,420
Motor vehicle pool	303,154	333,154	317,818	15,336
Total public works	1,969,688	1,997,373	1,919,420	77,953

City of Riverview, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures (Continued)				
Community and Economic Development -				
Community development	\$ 130,241	\$ 130,241	\$ 130,737	\$ (496)
Recreation and culture:				
Recreation	483,026	494,903	423,526	71,377
Pheasant Run pool	34,416	34,416	24,808	9,608
Parks	94,622	91,525	76,639	14,886
Total recreation and culture	612,064	620,844	524,973	95,871
Employee benefits and other:				
Employee benefits	717,755	745,886	745,641	245
Information technology	146,054	144,211	127,913	16,298
Insurance and bonds	240,828	240,828	199,362	41,466
Total employee benefits and other	1,104,637	1,130,925	1,072,916	58,009
Total expenditures	9,486,771	9,585,191	9,421,193	163,998
Excess of Revenues Over (Under) Expenditures	-	(27,700)	4,491	32,191
Fund Balance - End of year	\$ 417,765	\$ 390,065	\$ 422,256	\$ 32,191

City of Riverview, Michigan

	Major Streets			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Fund Balance - Beginning of year	\$ 861,999	\$ 861,999	\$ 861,999	\$ -
Revenues				
Property taxes	-	-	-	-
State sources	505,014	505,014	470,477	(34,537)
Investment income	53,506	53,506	67,377	13,871
Transfers in	349,000	349,000	349,000	-
Total revenues	907,520	907,520	886,854	(20,666)
Expenditures				
Public works	1,116,001	1,202,294	299,281	903,013
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Transfers out	-	12,928	12,928	-
Total expenditures	1,116,001	1,215,222	312,209	903,013
Excess of Revenues Over (Under) Expenditures	(208,481)	(307,702)	574,645	882,347
Fund Balance - End of year	\$ 653,518	\$ 554,297	\$ 1,436,644	\$ 882,347

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended June 30, 2005

Local Streets			
Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
\$ 7,218,153	\$ 7,218,153	\$ 7,218,153	\$ -
263,706	263,706	265,487	1,781
213,724	213,724	234,121	20,397
41,580	41,580	82,696	41,116
500,000	500,000	500,000	-
1,019,010	1,019,010	1,082,304	63,294
3,415,969	6,022,044	3,714,148	2,307,896
745,000	745,000	745,000	-
176,795	176,795	176,044	751
349,000	349,000	349,000	-
4,686,764	7,292,839	4,984,192	2,308,647
(3,667,754)	(6,273,829)	(3,901,888)	2,371,941
\$ 3,550,399	\$ 944,324	\$ 3,316,265	\$ 2,371,941

City of Riverview, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contribution June 30, 2005

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
06/30/99	\$ 20,577,644	\$ 17,844,328	\$ (2,733,316)	115.3	\$ 4,294,293	-
06/30/00	21,761,762	19,700,697	(2,061,065)	110.5	4,682,137	-
06/30/01	22,328,838	20,427,736	(1,901,102)	109.3	4,754,414	-
06/30/02	21,549,980	21,301,907	(248,073)	101.2	4,976,624	-
06/30/03	21,077,951	22,297,515	1,219,564	94.5	5,025,115	24.3
06/30/04	21,885,428	23,292,715	1,407,287	94.0	5,064,717	27.8

City of Riverview, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions (Continued) June 30, 2005

The schedule of employer contributions is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	\$ -	N/A
2001	25,712	100
2002	43,016	100
2003	433,341	100
2004	552,179	100
2005	610,663	100

Additional information as of June 30, 2004, the latest actuarial valuation date, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period	19 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5%-9%
Cost of living adjustments	None

*Includes inflation at 5 percent

City of Riverview, Michigan

Note to Required Supplemental Information June 30, 2005

Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Special Revenue Funds			
			Major Streets		Local Streets	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 7,233,904	\$ 9,421,193	\$ 537,854	\$ 299,281	\$ 582,304	\$ 4,635,192
Operating transfers budgeted as revenue and expenditures	2,191,780	-	349,000	12,928	500,000	349,000
Amounts per budget statement	<u>\$ 9,425,684</u>	<u>\$ 9,421,193</u>	<u>\$ 886,854</u>	<u>\$ 312,209</u>	<u>\$ 1,082,304</u>	<u>\$ 4,984,192</u>

Other Supplemental Information

City of Riverview, Michigan

Nonmajor Special Revenue Funds				
	Community Development			
	Block Grant	Rubbish	Cable TV	Library
Assets				
Cash and investments	\$ 5,382	\$ 165,781	\$ 395,670	\$ 330,210
Receivables:				
Property taxes	-	-	-	18,448
Other	-	-	445	7,474
Due from other funds	56,969	-	-	-
Due from other governmental units	44,176	-	-	-
Total assets	<u>\$ 106,527</u>	<u>\$ 165,781</u>	<u>\$ 396,115</u>	<u>\$ 356,132</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 424	\$ 34,865	\$ 9,260	\$ 5,920
Due to other funds	35,571	-	25,000	-
Accrued and other liabilities	-	-	1,975	15,941
Deferred revenue	53,822	-	-	-
Total liabilities	89,817	34,865	36,235	21,861
Fund Balances - Unreserved - Undesignated	<u>16,710</u>	<u>130,916</u>	<u>359,880</u>	<u>334,271</u>
Total liabilities and fund balances	<u>\$ 106,527</u>	<u>\$ 165,781</u>	<u>\$ 396,115</u>	<u>\$ 356,132</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005**

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
General Obligation	Building Authority	Parks and Recreation Construction	Capital Improvements and Equipment	Development Revolving	
\$ 51,664	\$ 138,301	\$ 12,984	\$ 1,358,594	\$ 16,370	\$ 2,474,956
532	-	-	-	-	18,980
-	-	-	-	-	7,919
-	-	-	-	-	56,969
-	-	-	-	-	44,176
<u>\$ 52,196</u>	<u>\$ 138,301</u>	<u>\$ 12,984</u>	<u>\$ 1,358,594</u>	<u>\$ 16,370</u>	<u>\$ 2,603,000</u>
\$ -	\$ -	\$ -	\$ 31,265	\$ -	\$ 81,734
-	-	-	-	-	60,571
1,087	18,338	2,000	-	-	39,341
-	-	-	-	-	53,822
1,087	18,338	2,000	31,265	-	235,468
51,109	119,963	10,984	1,327,329	16,370	2,367,532
<u>\$ 52,196</u>	<u>\$ 138,301</u>	<u>\$ 12,984</u>	<u>\$ 1,358,594</u>	<u>\$ 16,370</u>	<u>\$ 2,603,000</u>

City of Riverview, Michigan

	Nonmajor Special Revenue Funds			
	Community Development Block Grant	Rubbish	Cable TV	Library
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ 442,873
Federal sources	47,612	-	-	-
State sources	-	-	-	11,562
Investment income	-	-	11,615	15,343
Other	-	-	231,919	15,261
Total revenue	47,612	-	243,534	485,039
Expenditures				
General government	-	-	119,739	-
Public works	-	368,428	-	-
Community and economic development	60,378	-	-	-
Recreation and culture	-	-	-	365,645
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	60,378	368,428	119,739	365,645
Excess of Revenue Over (Under) Expenditures	(12,766)	(368,428)	123,795	119,394
Other Financing Sources (Uses)				
Operating transfers in	-	368,875	-	-
Operating transfers out	(11,800)	-	(80,400)	(116,548)
Total other financing sources (uses)	(11,800)	368,875	(80,400)	(116,548)
Net Change in Fund Balances	(24,566)	447	43,395	2,846
Fund Balances - Beginning of year	41,276	130,469	316,485	331,425
Fund Balances - End of year	<u>\$ 16,710</u>	<u>\$ 130,916</u>	<u>\$ 359,880</u>	<u>\$ 334,271</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2005

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds			Total
General Obligation	Building Authority	Parks and Recreation Construction	Capital Improvements and Equipment	Development Revolving	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 442,873
-	-	-	-	-	47,612
-	-	-	-	-	11,562
4,337	209	1,044	73,294	9	105,851
-	-	-	179,673	-	426,853
4,337	209	1,044	252,967	9	1,034,751
-	225	-	-	-	119,964
-	-	-	416,230	-	784,658
-	-	-	-	-	60,378
-	-	-	-	-	365,645
-	85,000	-	-	-	85,000
-	33,268	-	-	-	33,268
-	118,493	-	416,230	-	1,448,913
4,337	(118,284)	1,044	(163,263)	9	(414,162)
-	116,548	-	462,928	-	948,351
-	-	-	(440,496)	-	(649,244)
-	116,548	-	22,432	-	299,107
4,337	(1,736)	1,044	(140,831)	9	(115,055)
46,772	121,699	9,940	1,468,160	16,361	2,482,587
<u>\$ 51,109</u>	<u>\$ 119,963</u>	<u>\$ 10,984</u>	<u>\$ 1,327,329</u>	<u>\$ 16,370</u>	<u>\$ 2,367,532</u>

City of Riverview, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2005

	Agency Funds		
	Special Tax	Inspection	Totals
Assets			
Cash and investments	\$ -	\$ 109,913	\$ 109,913
Taxes receivable	485,810	-	485,810
Total assets	<u>\$ 485,810</u>	<u>\$ 109,913</u>	<u>\$ 595,723</u>
Liabilities			
Escrow	\$ -	\$ 109,913	\$ 109,913
Due to other governmental units	485,810	-	485,810
Total liabilities	<u>\$ 485,810</u>	<u>\$ 109,913</u>	<u>\$ 595,723</u>



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November 4, 2005

To the Honorable Mayor
and Members of the City Council
City of Riverview
14100 Civic Park Drive
Riverview, MI 48192

Dear Mayor and Council Members:

We have recently completed the audit of the basic financial statements of the City of Riverview for the year ended June 30, 2005. In addition to our audit report, we offer the following comments and recommendations for your consideration:

Overview of City Finances

The fund balance of the General Fund increased by approximately \$4,000 during the year bringing the fund balance to \$422,000. This level of fund balance represents only 4 percent of General Fund expenditures. We typically suggest a fund balance of between 10 percent to 20 percent of expenditures to guard against budget shortfalls and to ensure appropriate cash flow. As noted last year, the City will most likely continue to experience pressure on its fund balance for the following reasons:

- Property tax limitations impacting mature communities
- State-shared revenue decreases
- Limitations on other types of fees
- Larger pension contributions
- Increases in health care costs
- Required pre-funding of retiree health care

We again recommend that the City prepare a five-year financial forecast to estimate the City's fund balance in the coming years. A forecast can be invaluable as a management tool for analyzing future spending and its cumulative impact.

In addition, the Golf Practice facility incurred a loss this year of \$73,000. This loss was less than the loss incurred in the prior year, which was \$89,000. We encourage the City to continue to examine its fee structure and operating costs in an effort to close the gap between revenue and expenses in this fund.

On a positive note, the Golf Course Fund ended the year with income of \$30,000 as compared to a loss last year of \$123,000. Increased revenue and decreases in certain expenses, such as personnel, contributed to the overall positive financial results.



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Cash Reconciliations

Bank reconciliations were being completed for all accounts and the general ledger was being adjusted; however, this was not always done in a timely manner. We noted during our testing that the bank reconciliations for the concentration account for September 2004 had not yet been completed during our interim testing in July 2005. During August 2005, the City hired an assistant to the finance director and at the time of the audit, in October, bank reconciliations were complete and up to date.

As noted last year, we continued to note that finance department employees have the ability to access each other's cash drawers. Although no instances of mishandled cash have been detected, procedures should be put in place to strengthen the internal controls over cash. For example, only one cashier should have access to a cash drawer at one time. These controls may help with accountability in instances where cash does not balance in a particular drawer.

During the audit, we also noted that the vault where the cash is stored is kept open during the day. Any employee from the finance and clerk's departments has access to this during the day. In order to safeguard the City's assets, we recommend keeping the vault closed and locked during the day.

ACH Transactions

Based on a sample of ACH transfers tested during the audit, we noted that supporting documentation for these transfers did not show evidence of a review and approval process. ACH transfers were being initiated by the finance director, but were not being reviewed by another individual. We recommend that every ACH transfer receive written approval from a supervisor and be reviewed by another individual (for example, the city manager) to ensure the safeguarding of the City's assets.

Journal Entries

There is no approval of manual journal entries prepared by the finance director. Oversight by another individual helps to ensure the integrity of information in the general ledger. We recommend that the city manager or another appropriate person approve manual journal entries generated by the finance director.

General Operating Millage

We encourage management to continue to monitor the amount levied for general operations. The City should continue to take a careful look at the millage being levied compared to the maximum amount available to levy. For the 2004 tax year, the City's Headlee maximum authorized millage rate was 16.4836 and the City's actual levy was 14.4600, resulting in a millage capacity of 2.0236 mills still available to the City. Future property taxes are limited by both Proposal A and the Headlee Amendment. As a result of the Headlee Amendment, the City's maximum millage rate may continually decrease and the City may no longer have millage capacity available to it to help balance the budget in the future.

During our audit, we also noted the City has a garbage millage of 2.4732 mills that is not currently being levied. The City is funding garbage collection expenditures with land preserve revenues. The City should keep in mind that these mills are available to fund garbage collections.

Sewer Debt Millage

During our audit, we noted that the City is currently not tracking the amount of revenue received from the sewer debt millage and the debt charge on the water bills and comparing the revenues received to the amount of the sewer debt payments each year. Over the life of the debt, the City should only be collecting enough revenue to cover their debt payments. The City should start tracking the difference between the revenues and expenditures each year to ensure that they have not collected too much or too little revenues.

State Revenue Sharing

State-shared revenue accounts for approximately 18 percent of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue-sharing payments to local units of government) and the State's budget problems, which have resulted in additional appropriation reductions to the revenue-sharing line item in the State's budget, revenue-sharing payments for the last several years have been lower than anticipated.

The governor's budget for the State of Michigan's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. In essence, no further reductions to revenue sharing below the current FY 04/05 funding level were being proposed. During the budget deliberation process over the spring and summer, cuts were proposed by the Legislature to revenue sharing and then subsequently restored.

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Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state-shared revenue payments for 2005/2006. However, the appropriation in the State's budget for revenue-sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. There appears to be no long-term solution to the State's structural deficit in its General Fund and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

As a result of changes made by the State to revenue sharing last year, counties were required to move their property tax levy date for their operating millage from December to July in July 2005. A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple-year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out.

The table below details state-shared revenue for the City over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the City compared to the State's fiscal year 2001.

<u>City Fiscal Year Ending June 30</u>	<u>Statutory Revenue Sharing</u>	<u>Constitutional Revenue Sharing</u>	<u>Total Revenue Sharing Received</u>	<u>Cumulative Change in Revenue Sharing from 2001</u>
2001	\$ 764,000	\$ 861,000	\$ 1,625,000	\$ -
2002	681,000	870,000	1,551,000	(74,000)
2003	597,000	885,000	1,482,000	(143,000)
2004	457,000	875,000	1,332,000	(293,000)
2005	422,000	897,000	1,319,000	(306,000)

We will continue to update the City as developments occur.

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Funding of Post-employment Benefit Obligations

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the City will need to continue to budget only the expected cash payments, whether directly for health insurance premiums or for contributions to a pre-funding plan. For many communities, the funding of post-employment benefits is the most significant financial challenge they will face in coming years. We recommend that the City continue its proactive efforts to monitor and fund this future expenditure. The statement will not be effective until the City's 2009 fiscal year. The cost of health care currently paid each year as premiums become due has been increasing or remaining relatively the same and these trends are expected to continue. The retiree health care premiums paid by the City decreased slightly from \$525,000 in 2004 to \$515,000 in 2005.

As you know, the City has relied on Public Act 28 to offset the cost of retiree health premiums in the past. Act 28 allows the City to use excess investment earnings in the retirement system to pay for the health care premiums. However, given the down market the past few years, the retirement system has not generated excess investment earnings. As a result, the General Fund has had to repay the retirement system for the health care premiums. Please keep this situation in mind when preparing the General Fund budget.

Pension System Funding

While reviewing the most recent actuarial valuation, we noticed that the annual pension cost increased from \$43,016 in 2002 to \$552,179 in 2004 and to \$610,663 in 2005. The anticipated pension cost for 2006 is approximately \$620,000. The City's contribution as a percentage of payroll has increased tenfold and has not been this high since 1990. However, as these costs are increasing, the percent of the retirement system liabilities funded has been decreasing. The plan was 109.3 percent funded in 2002, 101.2 percent funded in 2003, 94.5 percent funded in 2004, and is 94.0 percent funded in 2005. In determining the funding progress, the actuary uses a smoothing methodology for valuing assets. As such, the market value losses experienced over the past several years are not fully reflected in the computation of the employer's contribution. At June 30, 2004 (the date of the most recent actuarial valuation), the retirement system net assets at market value were approximately \$2,100,000 lower than the asset values used by the actuary in determining funding progress. As a result, we would expect that the City's required employer contribution will increase in the coming years as a result of this situation.

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Land Preserve

As a no-cost service to the City, we continue to select one remote cash collection location each year and perform additional procedures related to cash handling at that location. This year, the Land Preserve was selected as the location to be tested. Our procedures include interviews of personnel, review of documentation, and performance of system walkthroughs. As a result of our procedures, we have made recommendations to management related to improvements to internal controls that should be considered. Please keep in mind, internal controls should be implemented where the benefit of the control exceeds the cost.

We would like to thank the council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, reading "Beth Bialy". The signature is written in a cursive, flowing style.

Beth A. Bialy